



C.L. "BUTCH" OTTER
GOVERNOR

January 8, 2007

Idaho State Legislature
State Capitol Building
PO Box 83720
Boise, Idaho 83720

Dear Legislator:

I am transmitting to you today the *Executive Budget* documents in accordance with 67-3506, *Idaho Code*. My budget proposal includes:

FY 2007 - The FY 2007 General Fund budget recommendation is \$2,591,265,000. The FY 2007 General Fund revenue estimate is \$2,706,325,000, an increase of \$401.3 million from the projection used at the end of the 2006 session. This increase is primarily due to the 1% increase in sales tax effective October 1, 2007 and better than expected economic performance in Idaho.

- \$309.6 million transfers to Budget Stabilization Fund (*Idaho Code* 57-814), Permanent Building Fund, Economic Recovery Reserve Fund, Public Schools Stabilization Fund, Public Schools Facilities Cooperative Fund, and Disaster Emergency Fund.
- \$9,010,000 for supplemental costs in the Departments of Administration, Correction, Health and Welfare, Juvenile Corrections, Board of Tax Appeals, and agencies under the State Board of Education
- \$5,902,200 for Fire Suppression, Pest Control, and Emergency Response Deficiency Warrants.

FY 2008 - The FY 2008 General Fund budget recommendation is \$2,840,241,400. Revenue includes: \$2,807,723,000 base economic forecast, \$3,721,100 in Tax Commission and Endowment Fund Investment Board legislative proposals, and \$123,139,400 in General Fund carryover from FY 2007. The budget recommendation contains:

- \$23,802,800 transfers to Permanent Building Fund, Budget Stabilization Fund, Public School Permanent Endowment Fund, and Department of Environmental Quality.

- \$22,000,000 to provide an increase in the grocery credit for low-income households.
- \$23,237,600 for replacement Capital Outlay.
- \$9,377,300 to annualize FY 2007 supplementals and elected official pay.
- \$36,785,400 for nondiscretionary adjustments in state agencies.
- \$30,976,400 in Public Schools recommendation for inflationary adjustment for transportation program, support unit increase, and other statutory increases.
- Projected ending balance of \$714,300.

Change in Employee Compensation (CEC)

In accordance with 67-5309B(d), *Idaho Code*, I am also forwarding my own report for CEC. My recommendation for FY 2008 includes:

- Funding of \$30,637,000 General Fund for a 5% CEC for state employees based upon performance.
- Funding of \$39,800,400 General Fund for a compensation package for Public Schools.
- Guidance to agency directors to manage their Personnel Cost budget to ensure that salary increases are provided in a manner that best meets the needs of their agency within the resources provided to them.

Additional details are provided to all legislative members and the public in my *Executive Budget* and related documents that are available at <http://dfm.idaho.gov/>. Print versions will be provided upon request.

Very truly yours,

A handwritten signature in black ink, appearing to read "C.L. Butch Otter". The signature is stylized with a large, looping "C" and "L" at the beginning, and a large, sweeping "O" at the end.

C.L. "Butch" Otter
Governor